

NESA Memo for NSC

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NSC Request

Attention: Don Fortier

Importance of Showcase Development Projects to Qadhafi

Several ambitious development projects--specifically the Great Man-made River Project--have been part of Libya's development plan for sometime. Implementation has been slowed for a variety of reasons, most recently because of the soft oil market and its negative impact on Libya's financial situation. In recent months, however, Qadhafi has reinvigorated the programs for what we believe are basically political reasons.

-- He has been hyping the Great River Project in meetings with Popular Committees (groups which theoretically run all aspects of the Libyan government and economy) in terms similar to the way Nasir hyped the Aswan Dam. We think he is doing this because his revolution at home has stagnated, his earlier reforms have been unpopular, and his leadership has been tarnished by economic problems and foreign policy reversals. The Great River Project has thus become a showcase program.

-- We believe he is also using this project and others as a means for attracting US and Arab financial involvement in Libya. Qadhafi hopes that this commercial relationship will reduce the "threatening" US posture toward Libya and give Arabs--particularly the Saudis who are sponsoring a consortium of Arab loans to finance the project--a stake in

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the protection of Libya from the US. [REDACTED]

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The Libyan public has not been especially stirred by Qadhafi's development schemes. Most Libyans have a comfortable life, comparatively good social and educational services, and have little personal or immediate financial stake in development programs. Foreign workers and contractors execute the projects, and given the large scope and ambitious nature of many of them, the payoff for the average Libyan is far in the future. Despite Qadhafi's rhetoric to which most Libyans have become accustomed, we doubt that even the more politicized segment of the population will focus in any significant way on the progress of these development schemes. [REDACTED]

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This fact of Libyan political life means there is likely to be no significant "down side" for Qadhafi, if the United States should decide to prohibit US firms from participating in Libyan development. Other foreign firms--the French, West Germans, and Soviets originally bid on the River project--presumably would be more than willing to participate and the projects would probably proceed apace. Under such circumstances, moreover, Qadhafi might elect to use the US prohibition to further propagandize the Libyan public, which is already largely convinced that the US is an implacable enemy of the Arabs and of Libya specifically. [REDACTED]

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[REDACTED]

We think that such a US decision would probably be a personal blow to Qadhafi, although not a substantial one. He has long believed that Libyan largesse and his relatively good relations with the US business community provide a way out of the

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contentious relationship he has with Washington. He has repeatedly tried diplomatic overtures--none, of course, backed up with any sincere commitment--to accommodate US concerns over Libyan involvement in terrorism and subversion against US friends. We suspect, however, that he is now trying to engineer a "live and let live" arrangement with the US government whereby US business could profit in Libya and Libya would back off its efforts to hurt US interests directly. [REDACTED]

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#### Qadhafi's Recent Trouble-making

Libya has reduced its efforts to undermine US interests since French military forces halted Libyan advances in Chad in August. Qadhafi's new posture has been motivated by fear of a potentially disastrous clash with the French as well as US military retaliation for Libya's support of Syria and radicals in Lebanon. [REDACTED]

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Qadhafi has also been deeply concerned about his isolation in Arab circles following his humiliating defeat at the OAU summit in June and has begun to mend fences. Qadhafi believes this effort will forestall criticism of Libyan involvement in Chad by moderate Arab states, attract needed financial aid from them for his showcase water development projects, quiet domestic unease which tends to mount when he puts too much distance between himself and other Arab leaders, and afford him some protection from possible US military retaliation [REDACTED]

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Qadhafi nevertheless has continued over the past several months to take advantage of some opportunities to undermine US

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interests. These have included:

-- In the Middle East, the sending of arms and money to radical Lebanese Druze leader Junblatt as well as to Fatah rebels and PLO radicals seeking to oust PLO Chairman Arafat. Qadhafi also has strengthened Libya's advisory presence among Sudanese dissidents based in Ethiopia and sent them a large supply of arms.

-- In Africa, Qadhafi provided arms and logistical support for Thomas Sankara's ouster of the pro-Western regime in Upper Volta in August. He also has stepped up recruiting efforts among Zairian and Central African Republic dissidents and pressed an assortment of unwilling Congolese, Sudanese, and Chadians into service in Chad. There is unconfirmed reporting of direct Libyan involvement in plans against the US Embassies in Lagos and Khartoum.

-- In Latin America, Qadhafi sent three planeloads of arms to the leftist regime in Nicaragua during August and September. [REDACTED]

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Qadhafi has a continuing interest in ousting the moderate regimes of President Habre in Chad, President Nimeiri in Sudan, and President Siad Barre in Somalia and can be expected to act against them, although he has done little directly against the latter two in the recent past. [REDACTED]

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